

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BANGKO 17194 051203Z

53

ACTION EA-14

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 PM-07

CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 USIA-15 PRS-01

COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 AGR-20

INT-08 DRC-01 /187 W

----- 033510

R 050720Z NOV 73

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 7990

LIMITED OFFICIAL USE BANGKOK 17194

E.O. 11652: N/A

TAGS: ECON, TH

SUBJECT: THAI GOVERNMENT'S ECONOMIC PROBLEMS AND POLICIES

REF: A. BANGKOK 17131 B. STATE 216722

1. THE SANYA GOVERNMENT'S MOST DIFFICULT PROBLEM IN THE NEXT FEW MONTHS MAY WELL BE HOW TO COMBAT A THREATENING NEW WAVE OF INFLATION. PRICE INCREASES HAVE BEEN THE PRINCIPAL DISCORDANT NOTE IN THE THAI ECONOMIC PERFORMANCE IN 1973, WHICH HAS OTHERWISE BEEN VERY FAVORABLE. EXPORT EARNINGS ARE UP 40 PERCENT OVER A YEAR AGO DESPITE REDUCED EXPORTS OF RICE AND CORN. COMMERCIAL BANK DEPOSITS, EXTENSION OF CREDIT, AND CAPITAL INVESTMENT ARE ALL WELL ABOVE A YEAR AGO. OVERALL WE EXPECT THE THAI GROSS DOMESTIC PRODUCT TO INCREASE BY NINE PERCENT IN REAL TERMS VERSUS A DISAPPOINTING THREE PERCENT IN 1972. THE GENERAL PICTURE IS LITTLE DIFFERENT FROM THAT PRESENTED WORLD WIDE OF BOOMING BUSINESS CONDITIONS ACCOMPANIED BY SHARP INCREASES IN THE PRICE LEVEL. IN THAILAND, THAT INCREASE HAS BEEN ABOUT 25 PERCENT IN THE WHOLESALE INDEX AND 13 PERCENT IN THE CONSUMER PRICE INDEX.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BANGKO 17194 051203Z

2. THE NEW GOVERNMENT HAS CLEARLY RECOGNIZED THAT THE RELATIVELY

STEEP RATE OF INFLATION IS ONE OF ITS MOST PRESSING PROBLEMS. SIX OF THE 14 POINTS IN PRIME MINISTER SANYA'S INITIAL POLICY STATEMENT TO THE NATIONAL LEGISLATIVE ASSEMBLY ON OCTOBER 25 DEALT WITH ECONOMIC MATTERS. NOT MENTIONED, BUT ONE OF THE FIRST ISSUES LIKELY TO BE FACED BY THE GOVERNMENT, IS THE OIL PRICE SITUATION DISCUSSED IN REFTTEL A. SOME OF THE ANTICIPATED INCREASES IN CRUDE OIL PRICES WILL HAVE TO BE PASSED ON TO CONSUMERS BY RAISING THE FIXED PRICES WHICH THE RTG MAINTAINS ON PETROLEUM PRODUCTS. SUCH PRICES WERE LAST RAISED IN JULY AFTER YEARS OF REMAINING AT THE SAME LEVEL. AT THE TIME THERE WAS PRESSURE FOR AN INCREASE IN THE BUS FARE WHICH THE OLD GOVERNMENT DENIED, A POLITICALLY SENSITIVE SUBJECT IN THIS SPREAD-OUT CITY WHERE THE VAST MAJORITY OF THE PEOPLE USE THIS ONLY AVAILABLE MEANS OF PUBLIC TRANSPORTATION.

3. CABINET MEMBERS ARE GENERALLY CONSERVATIVE TOWARD GOVERNMENT CONTROLS ON ECONOMY. YET THE SANYA GOVERNMENT MAY BE FORCED TO WIDEN CONTROLS OR FACE POPULAR DISCONTENT, IN WHICH EVENT THE EMBASSY BELIEVES IT WILL EXTEND CONTROLS TO AVOID A SHIFT IN PUBLIC SENTIMENT TOWARD MORE RADICAL MEASURES FAVORED BY SOME STUDENTS AND OTHER ELEMENTS. FAVORABLE REFERENCES TO A "SOCIALIST" POLICY HAVE APPEARED IN PRESS STORIES SINCE THE NEW GOVERNMENT WAS APPOINTED. GIVEN THE VAST RESERVOIR OF GOOD WILL ON WHICH THE GOVERNMENT CAN DRAW, IT MAY ACHIEVE SOME SUCCESS IN ITS APPEALS TO PRIVATE COMPANIES TO ABSORB SOME COST INCREASES AND IN CONVINCING THE PEOPLE THAT SOME PRICE INCREASES ARE NECESSARY. THE PRIME MINISTER IN A LETTER TO THE AMERICAN CHAMBER OF COMMERCE APPEALED FOR HELP IN KEEPING PRICES DOWN. HOWEVER, SUCH PAST EFFORTS HAVE NOT BEEN PARTICULARLY SUCCESSFUL.

4. DOMESTIC RICE PRICES HAVE REMAINED STABILIZED AT THE LEVELS REACHED UNDER THE PREVIOUS GOVERNMENT. THE CROP OUTLOOK CONTINUES FAVORABLE, WITH RTG ESTIMATES FOR THE PENDING HARVEST RANGING FROM 13 MILLION TO 13.7 MILLION METRIC TONS OF PADDY. WITH IMPROVEMENTS ALSO REGISTERED IN THE WORLD SUPPLY SITUATION THERE SHOULD ALSO BE LESS PRESSURE FROM THIS SOURCE ON DOMESTIC PRICES. EXPORTS SHOULD BE SUBSTANTIALLY ABOVE 1973 AND AT FAVORABLE PRICES.

5. A LESS IMMEDIATE BUT MORE FUNDAMENTAL PROBLEM FOR THE GOVERNMENT IS THE NEED TO IMPROVE THE COUNTRY'S REVENUE RAISING SYSTEM. ONE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BANGKO 17194 051203Z

PART OF THE PRIME MINISTER'S POLICY STATEMENT WAS DEVOTED TO REVISION OF THE STRUCTURE OF TAXATION. THIS EMPHASIS ON THE STABILITY OF NATIONAL CURRENCY AND ON THE REFORM OF THE REVENUE SYSTEM REFLECTS THE VIEWS OF FINANCE MINISTER BOONMA. HIS DISAGREEMENT WITH THE FISCAL POLICIES OF THE PREVIOUS GOVERNMENT WAS A MAJOR FACTOR IN HIS DECISION TO RESIGN AS UNDER SECRETARY OF STATE FOR FINANCE. THE GOVERNMENT'S REVENUES IN RECENT YEARS HAVE FALLEN SHORT BY ABOUT 25 PERCENT OF MEETING ITS EXPENDITURES, THUS ADDING

FUEL TO THE CURRENT INFLATION. MOREOVER, THE SHORTFALL IN REVENUE RESTRAINED THE GOVERNMENT FROM ENGAGING IN THE NECESSARY BUILDING OF ECONOMIC INFRASTRUCTURE--IRRIGATION SYSTEMS, FARM ROADS, AGRICULTURAL EXTENSION--REQUIRED TO IMPROVE AGRICULTURAL PRODUCTIVITY AND PROMOTE ECONOMIC GROWTH. ONE OTHER CONSEQUENCE OF THE SHORTFALLS IN REVENUE OF PAST YEARS IS THE INCREASING BURDEN OF DEBT SERVICE COSTS WHICH SHOWED THE LARGEST INCREASE OF ANY MAJOR ITEM OF THE NATIONAL BUDGET IN THE CURRENT FISCAL YEAR (UP 37 PERCENT COMPARED TO AN OVERALL INCREASE OF 14 PERCENT).

6. DESPITE THE FAVORABLE FACTORS, FOREIGN PRIVATE INVESTORS ARE NEVERTHELESS LIKELY TO EXPRESS UNCERTAINTY ABOUT THE FUTURE, PARTICULARLY IN REGARD TO THE OUTCOME OF THE ELECTIONS PLANNED IN ABOUT NINE MONTHS. SO FAR, THERE APPEARS TO HAVE BEEN NO ADVERSE CONSEQUENCES EITHER FOR INVESTMENT OR TOURISM. THE SANYA GOVERNMENT GIVES EVERY INDICATION OF WANTING TO KEEP THE ECONOMY FUNCTIONING AS NORMALLY AS POSSIBLE. THE NEW MINISTER OF COMMERCE TOLD EMBASSY OFFICERS NOVEMBER 2 THAT FOREIGN PRIVATE CAPITAL CONTINUED TO BE NEEDED AND WAS WELCOME. HE SPECIFICALLY CITED AS EVIDENCE THE PRIME MINISTER'S COMMITMENT IN HIS ADDRESS TO THE NATIONAL ASSEMBLY TO CARRY OUT THE THIRD FIVE YEAR PLAN, THE SUCCESS OF WHICH IS DEPENDENT TO AN IMPORTANT EXTENT ON UNINTERRUPTED PRIVATE CAPITAL INFLOW.

UNGER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC PROGRAMS, ECONOMIC REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973BANGKO17194  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** BANGKOK  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19731155/aaaaboov.tel  
**Line Count:** 139  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** A. BANGKOK 17131 B. STATE 216722  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 DEC 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06-Dec-2001 by smithrj>; APPROVED <27-Dec-2001 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THAI GOVERNMENT'S ECONOMIC PROBLEMS AND POLICIES  
**TAGS:** ECON, TH  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005